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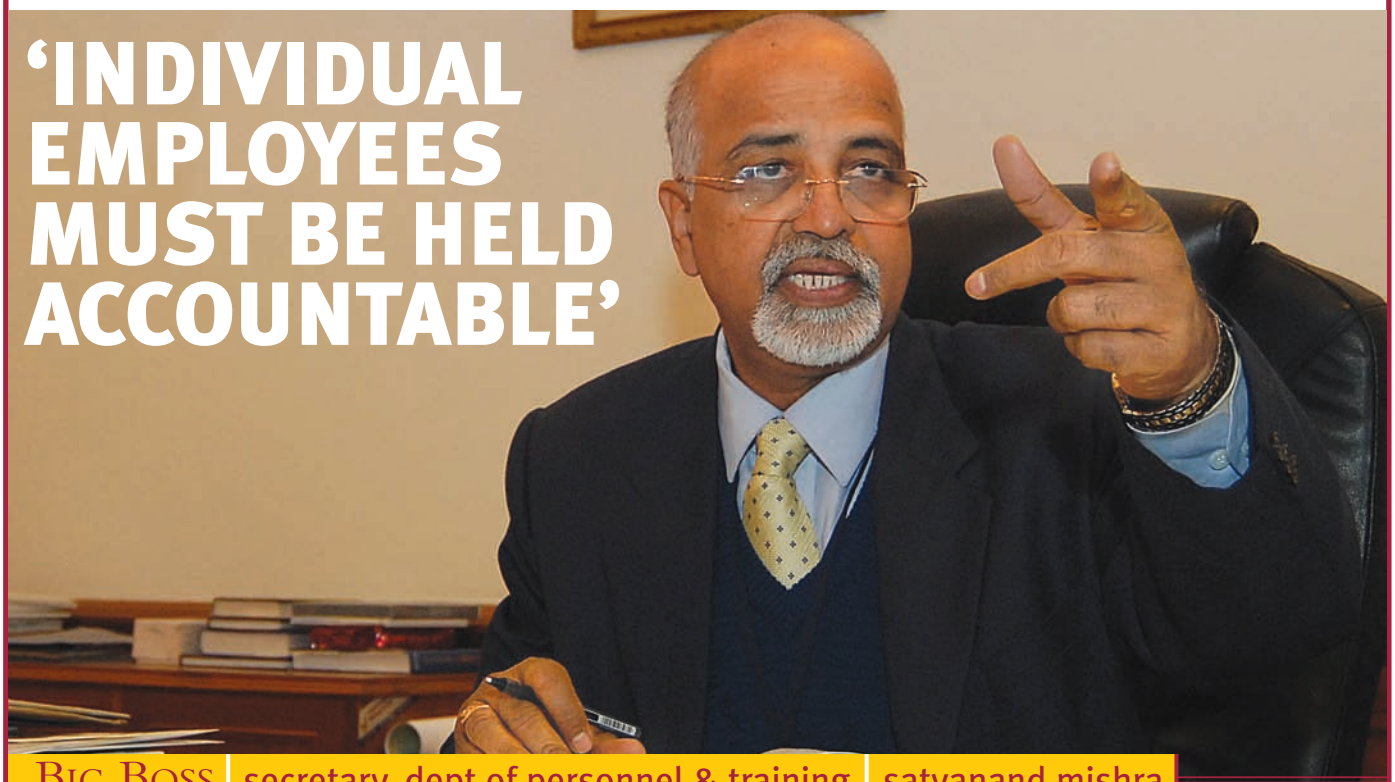
gfiles
INSIDE THE GOVERNMENT

'INDIVIDUAL EMPLOYEES MUST BE HELD ACCOUNTABLE'



BIG BOSS | secretary, dept of personnel & training | satyanand mishra

interviewed by ANIL TYAGI

From a humble background in Orissa, Satyanand Mishra is an IAS officer of the 1973 batch, Madhya Pradesh cadre. He has an MA (English) from Utkal University, and an MPhil in public administration and MSc in policy planning for developing countries from the London School of Economics. He began his career as a probationary officer in the State Bank of India but later joined the civil service. He has worked for nearly seven years in the Department of Culture in the state as well as at the Centre, where he formulated cultural policy and implemented a variety of projects. He has been Managing Director of the Madhya Pradesh Film Development Corporation.

Mishra is fond of films and is a regular moviegoer. He has had two stints in the Government of India and spent over two years in the Ministry of Personnel. With his easy accessibility, in person and on the phone, Mishra is a valued, vibrant and forward-looking bureaucrat.

gfiles: *How do you find your new job?*

Satyanand Mishra: Twenty years ago, I worked here and before joining as Secretary, I was an Establishment Officer here. It is a nodal Ministry to manage human resources. In spite of a heavy workload, we manage affairs.

gfiles: *What is the biggest challenge in this Ministry for you?*

SM: This Ministry's role is ensuring accountability in the government and accountability to the people. The government's priority is to deliver to the people. The government is doing its best to reach down to the common man and convince him that it really means business. We are working on two fronts. First, overhauling of accountability of individual employees, attitude, and outlook. Second, simplification of the present system for the benefit of the common man to make it more transparent and integrity-oriented.

gfiles: *The Right to Information Act is playing a vital role but the desired result from its implementation is yet to come.*

SM: The Act is only two years old. It will take time for results to come. The government is satisfied with the progress. We have observed that most of the beneficiaries of this act are none other than the government and its employees.

gfiles: *When Dr Manmohan Singh took over as Prime Minister, he was very enthusiastic about administrative reforms. But the zeal and*

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BIG BOSS

enthusiasm seem to have slowed. Why?

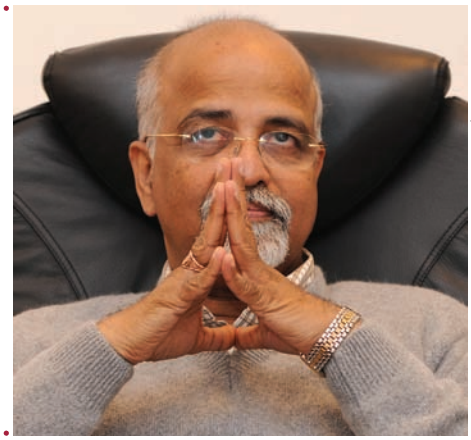
SM: That is not correct. The Prime Minister and government are not only keen, they are working continuously on administrative reform. Administrative reform is a continuous process. It cannot be seen in isolation. The Prime Minister has categorically said that delivery of services should be smoothened. We have received the recommendations of the Administrative Reforms Commission partly and 75 per cent of them have already been acted upon. The Cabinet Secretary, the Minister and the Group of Ministers are taking keen interest in reforms. Translation of recommendations into detail and implementation will take time. All of us have been put in place to see that delay in this regard is minimized.

It was realized that the process of consultation in three Ministries – Finance, Law, and Department of Personnel – is long and time-consuming. It was felt that we are risk-averse and, to overcome this drawback, we must try to reduce the "process of consultation". There is a 10-tier structure of consultancy prevailing in the government. Starting from the clerk, we move vertically up to the Section Officer, Under-Secretary, Joint Secretary, Additional Secretary, Secretary, Minister and finally the Cabinet. The Prime Minister says we must simplify things and take decisions without fear. We are on the job. We have done it partly, in vigilance cases where the process of clearance has been simplified. We are creating a conducive environment for this.

Since the dawn of public-private partnership (PPP) projects, the need to take bold decisions has arisen. We have empowered our officers to take decisions without fear. We are of the view that, even if the decision is wrong, the officer concerned should not be punished – unlike in the past. The government's approach is that decisions should be fast and transparent.

gfiles: *The global governance-population ratio is 4 per cent. So, to govern a population of 100 crore, we need 4 crore government employees. In India, the ratio is 2 per cent; 2 crore employees are governing 114 crore people. Is this not responsible for lethargy, incompetence, corruption and delay?*

'The private sector will naturally take personnel from the government. I don't view it as an exodus. I treat this as exploitation of opportunities by the talent available'



PHOTOS: FOTOS4INDIA

SM: I have not studied this aspect in India. There are many arguments on this issue. The size of the government should be commensurate with the population. I don't think you need this percentage everywhere. Of course, there is no compromise in the areas of security, health, education and basic services. Most important is that our government does not outsource any activity. The problem is that people blame us if anything goes wrong. So our responsibility is much more than in non-governance sectors.

gfiles: *There is mounting dissatisfaction among government officers over the issue of pay parity in comparison to other sectors.*

SM: I don't think we should compare salaries with the private sector. In the private sector, every activity of every individual is monitored in monetary terms. In government, such a system does not exist. Here, work is work. The fundamentals of private and government jobs differ. The government is socially oriented while private entrepre-

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INSIDE THE GOVERNMENT

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IN all the issues we have brought out so far we have concentrated on the general problems, perspectives and dimensions of governance that impact the administration of this volatile and complex democracy – morale within the civil services, police reform, singular achievers, politicization, pay parity, managerial skill enhancement.

This month we have narrowed our editorial focus to the governance of defence at the micro and macro levels. This is a highly specialized, sensitive and complex subject on which you shoot from the hip only at the peril of getting things horribly wrong and hitting the wrong targets. That is why, perhaps, the media mostly shies away from or merely dabbles in it. It poses, therefore, even a greater challenge for gfiles, India's first magazine on good governance. And, in a modest way, we have picked up this editorial gauntlet.

The subject is vital because India's cumulative defence expenditure, current GDP growth rates being stable, will likely touch $3 trillion, equivalent at today's prices, over the next 30 years. The way in which our governmental managers allocate, spend, and manage this money will determine the nation's future security and integrity.

It is crucial, therefore, to analyse the past and look to the future. As C Uday Bhaskar, one of our writers, puts it: "The Bofors scandal of the late 1980s has become part of the Indian political lexicon. At the level of governance, defence procurement procedures, which have been protracted at the best of times, have become even more cumbersome. Extreme caution, bordering on the paranoiac, has become a watchword within the procurement bureaucracy. This characteristic has been further heightened by the more recent controversy over the coffins procured during the 1999 Kargil war – and hence the middle man or professional arms agent has become persona non grata in the Indian context."

In this issue we have gathered the best defence writers, intelligence analysts, strategic thinkers to speak their minds about what ails the governance of defence – whether it be middlemen muddles, the Advanced Jet Trainer (AJT) imbroglio, the Gorshkov aircraft carrier cost overruns, or operational readiness and management. The overall package is an eye-opener not only for our defence service personnel and the civil servants who manage things but also for the general reader. Interestingly, the bad guys in this entire scenario – you guessed it – are the politicians themselves and the person who excoriates their role most rigorously is none other than Minister of State for Defence Rao Inderjit Singh whose candid interview kicks off this specially packaged issue of gfiles.

INDERJIT BADHWAR
Editor-in-Chief

LETTERS The stock market crash has robbed the small investor of all his earnings of the past three years. Even the stocks with sound fundamentals have crashed. What should a small investor like me do now?
Kirit Kaparia, Mumbai

STOCK DOCTOR SAYS: Accumulate fundamentally strong stocks to reap future gains.

Interesting reading in the January issue. Prajapati Trivedi's article on accountability was most absorbing. But the one on AIIMS was one-sided. That is the impression I got, though I have no strong views on it.
MMM Kapoor, Gurgaon

The gfiles team deserves a big round of applause for coming out with this magazine which can generate interest and awareness among the present generation about governance. I would like to read something from Kiran Bedi, if it is possible.
Dr Nisha Bala Tyagi, Miranda House, Delhi

The Chief Vigilance Commissioner has admitted that only 25 per cent of the total complaints received result in punishment. I feel this is a poor performance. His advice to the whistleblower not to forward a complaint anywhere other than the CVC is practical.
Narendra Sharma, Aligarh

neurs are profit oriented. After implementation of the Fifth Pay Commission, the pay structure has changed considerably. The Group A-service officers get transport, accommodation, telephone and job security.

gfiles: *Have you suggested any major change to the Sixth Pay Commission?*

SM: The Sixth Pay Commission will submit its report in March. We were the first to interact with the Commission. I told them what my colleagues feel. Our present pay scale is incremental. But, when you start your career you need more money for marriage, old parents and growing children. Ironically, when the requirement is high, the money is less. After 30-40 years of service, you have money but the requirement is less.

gfiles: *You are not getting good teachers in the Lal Bahadur Shastri National Academy of Administration. Did you tell the Commission about this?*

SM: Yes, the Academy is the primary institution for the administrative services. I have requested the Commission for a lucrative package to attract more and experienced faculty.

gfiles: *There is an exodus of IAS and IPS officers, especially technocrats. Why?*

SM: Before the economy was opened, fewer opportunities existed. Now, people look for career growth and money in different sectors. The private sector has the problem of finding experts as every single job was being done by the government. Infrastructure, revenue, engineering, telephones and so on, were with the government. The private sector will naturally take personnel from the government. I don't view it as an exodus. It is an exploitation of opportunities by the talent available in the country.

gfiles: *What reasons do these officers give for resigning?*

SM: Before the 1980s, people with subjects like physics, mathematics, history and political science had only two options – to join the government or teach. This changed in the mid-1980s as those from the IITs and the medical stream started joining government service in large numbers. It changed the orientation of the civil services. We have 5,600 IAS officers and those with a technical background have opportunities to prove their talent. The officers who leave say they want job satisfaction, to stay at one place, and to give better education to their children. More officers are going on leave and rejoining.

gfiles: *Do you plan to stop the exodus?*

SM: No plan as such but on November 28 last year we sent a circular to the effect that no IAS officer can work in any company registered under the Companies Act. This was done after we noticed conflict of interests. Now they can work only with Public Sector Undertakings and semi-government organizations. We observed that when, after a stint in a private organization, an officer was back in a government department of a similar nature as Joint Secretary, a sense of mistrust prevailed.

'I have requested the Pay Commission for a lucrative package to attract more and experienced faculty for the IAS academy'

Another problem arose in distinguishing between companies in infrastructure, energy and telecom sectors and allowing the officer to join one of them. So we decided not to allow IAS officers to work with private companies.

gfiles: *IAS officers feel that your department discriminates regarding foreign assignments. There is favouritism and politically connected officers get plum postings.*

SM: This allegation is not correct. The government decides postings to international agencies, such as Technical Adviser to the World Bank, Executive Director of the Asian Development Bank, embassies and tea boards. There is a selection method and we keep objectivity in mind. In our department, the Establishment Officer prepares a list of names from data stored in the computers. Officers with 15 years' experience or more are eligible. When the World Bank or Asian Development Bank or any economic wing of an international agency asks for an officer, the choice naturally falls on officers already having experience in finance, economy or revenue. However, no officer is allowed to join a foreign agency if he has officially dealt with it in the past five years. The principle of equity and justice is the primary consideration in selection. For Joint Secretary-level officers, no short-term consultancy is allowed. The idea is to ward off allurement and keep foreign agencies from influencing decisions.

gfiles: *Officers from the Dalit community also complain of discrimination. There are very few Secretaries from this community.*

SM: The allegation is baseless. Though the issue is in our minds too. The government believes in equitable representation from all sections of society. The problem lies at the entry level. A Dalit officer enters the civil services at 28-32 years of age. He is able to become Additional Secretary/Joint Secretary by 58 or 59. Because of late entry, not enough Dalit officers are available. The government does not have a policy of quota promotion in Group-A services. The Constitution is very clear about evaluating all efficiency parameters in Group-A services.

gfiles: *In the changed political scenario, it is felt that political victimization of civil servants by their political masters is rampant.*

SM: It is true. In the government, we are discussing the issue of transfers. The Prime Minister himself is concerned. We are trying to emphasise a two-year tenure for all the cadres. We are also asking state governments to record justification of transfers before the two-year tenure ends. The Supreme Court is clearly for fixing of the term in the Prakash Singh case. The Ministry is working towards this end. g

Overseas Indians - Our Assets

MINISTRY OF OVERSEAS INDIAN AFFAIRS

Connecting India with its Diaspora

Key Initiatives

- Overseas Citizenship of India (OCI)
- Overseas Indian Facilitation Centre (OIFC), the one-stop shop for investing in India
- India Development Philanthropy Foundation, the single window to lead diaspora philanthropic capital into India's social development
- Bilateral labour welfare agreements with countries in the Gulf
- Social security agreements with countries in the European Union

On The Anvil

- Welfare Fund for Overseas Indian Workers
- Overseas Indian Welfare Centres in Indian Missions
- PIO University
- Council for Promotion of Overseas Employment

Hooda, the land shark
duping farmers

AS a result of the unprecedented property boom in the National Capital Region of Delhi, NOIDA and Greater NOIDA in UP have become notorious as the happy hunting grounds of private builders and politicians alike. Court cases and rulings, crimes, land scams and even the Chief Minister's personal interests in posting of officers are the area's claims to infamy.

Haryana is not far behind - its adjoining areas are veritable gold mines for private builders. But the *modus operandi* of the political master of this state is a little different from Uttar Pradesh. Sources say the Chief Minister Bhupinder Singh Hooda has joined hands with the real estate sharks. Aware that farmers don't want to sell their land, he has come up with a novel method to force them to do so.

A notification is served to the farmer, saying his land is to be acquired soon. As the official rates for land acquisition are far lower than the prevailing market rates, the poor man panics. After the notice is served, the private builder eyeing the land contacts the farmer and offers a price marginally higher than the official rates.

The farmer accepts out of compulsion. *Voila!* The land is purchased through an agreement. Once this is done, the Chief Minister withdraws the notification. This happened in Manesar, Gurgaon where farmers lost 900 acres to a private builder from Uttar Pradesh.

PC turns into Prince Charming
what's cooking?

SOME of Delhi's business journalists were pleasantly surprised to find Union Finance Minister P Chidambaram an exceedingly charming and polite host at a recent do at his official residence. The occasion was Pongal, and Chidambaram had invited all the journalists who cover his Ministry to lunch.

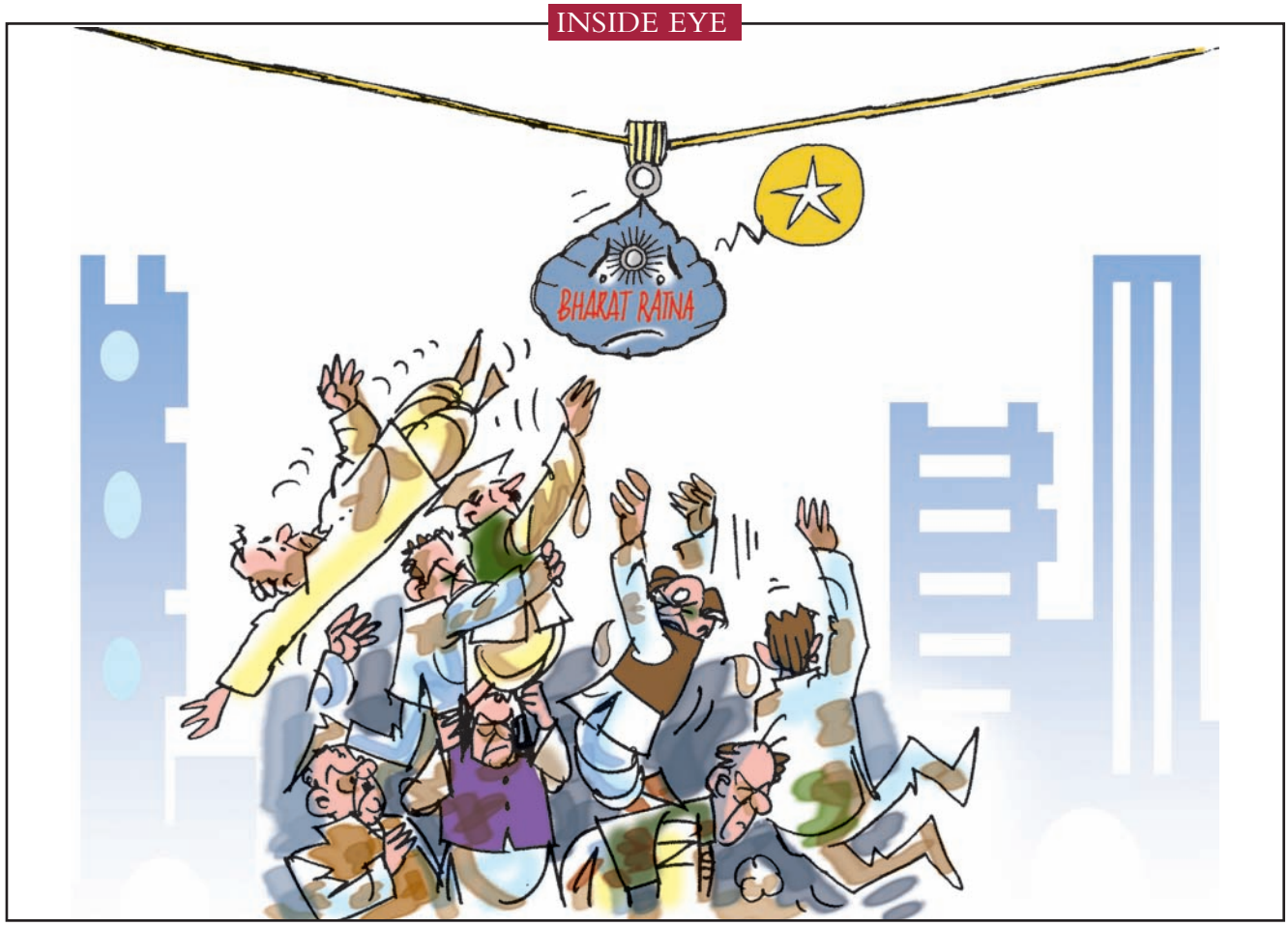
And, instead of the aloof Chidambaram that they were used to, they found him attending to each journalist personally – to the extent of ensuring that no one went without dessert. It was only after everyone had finished eating that he had his meal.

The delighted guests were not only embarrassed but also a little suspicious at this new avatar of the Minister. And there was some speculation as well: was it due to the fact that the present term of the Lok Sabha is drawing to an end, that the annual Budget is to be presented shortly amidst public discontent about rising prices, that Rahul Gandhi is reportedly unhappy with the way the economic predicaments of the common man are being handled by the Finance Ministry, that Commerce Minister Kamal Nath has been eying his portfolio? In short, Chidambaram wants media support to consolidate his position vis-à-vis South Block and 10 Janpath.

Rise of a munshi
braj nandan, hotline to maya

AFTER Satish Chandra Mishra emerged as the most trusted lieutenant of (and, consequently, the best conduit to) UP Chief Minister Mayawati, the powerbrokers were disappointed when they found him inaccessible. Mishra has his own excuses for being inaccessible: he is touring the country to build the BSP's organizational set-up in every state by simulating state-specific social engineering models.

So the powerbrokers began to search frantically for someone who could lead them to Mishra. The search engine finally threw up Braj Nandan. When Mishra began his practice in the High Court of Uttar Pradesh decades ago, he had employed Braj Nandan as his munshi. Over the years, Braj Nandan proved an able assistant. After the BSP's capture of the Assembly in the last polls, Mishra made him Chief Officer on Special Duty to Shashank Shekhar Singh, the



ILLUSTRATIONS: ARUNA

Vice-Chairman of the state Planning Commission and the first non-IAS Cabinet Secretary of the state.

Braj Nandan operates from three places — Mishra's residence, the fifth floor of the UP Secretariat housing the CM's and Singh's offices, and the office of the Planning Commission. Mishra entertains only those files and recommendations that reach him through Braj Nandan. Braj Nandan is to Mishra what RK Dhawan was to Indira Gandhi.

Bruni breaks Kamal Nath's heart

banquet plans

THE man most upset by the news that Carla Bruni, the former model and girlfriend of French President Nicholas Sarkozy, was not coming to India after all was Kamal Nath. Though South Block went into a tizzy over the issue of protocol, unable to decide how to treat the unmarried companion of the guest of honour at this year's Republic Day parade, and was mighty relieved at the news, the Union Commerce Minister found his plans shattered. He had planned a banquet for her at one of Delhi's top hotels.

Whenever heads of state visit India, our bigwigs with business interests in their countries lay out the red carpet for the accompanying wives. It is an easy and certain way to safeguard their investments abroad. Kamal Nath, known to be a lavish host, is believed to have made large investments in real estate in France through his friend, Lakshmi Mittal. Steel tycoon Mittal also has huge business interests in France.

The Minister lost all interest in the Sarkozy visit and went abroad on Republic Day. g

Brouhaha over 'bounty'

The panel must heed market realities in recommending salary hikes

THE Sixth Pay Commission is expected to turn in its report soon so that the government's decisions on its recommendations can be announced before the general election in 2009. There is considerable misgiving among economists about likely impact on the Central and state exchequers, and also among the business media about the "bounty" expected to be bestowed on the babus.

Such anxiety is based on the way the government handled the recommendations of the previous Pay Commission about 10 years ago. It is worth recalling the bizarre drama that preceded the changes effected to the Fifth Pay Commission report by the government in September 1997. The employee organizations were agitated about the recommendations that had linked increase in pay scales to non-filling up of vacancies and abolition of about 300,000 posts. According to informal reports, employee organization leaders would have been satisfied with a 15-30 per cent increase over the recommended pay scales, although publicly they were demanding a very steep hike.

Political uncertainty ruled the air. The United Front government had already seen a change of Prime Minister and the new incumbent was IK Gujral. The Left parties, as at present, were among the kingmakers of those times. The Congress, that was extending support from outside the government, was threatening to withdraw support. Barring the Finance Minister, who was naturally concerned about the fiscal deficit situation in a period of declining economic growth, most of the coalition partners were opting for populist measures in view of the looming general election.

The Prime Minister was proposing to address the annual United Nation's jamboree in New York in September. He was also looking forward to shaking hands with President Bill Clinton on the sidelines of the UN. Since the employees had served notice of a general strike on pay issues coinciding with his trip, Gujral was upset and subtly hinted to some Ministers likely to negotiate with the employees that they should avoid confrontation at all cost.

The Left parties stridently supported the demand for unprecedented increase in pay scales and opposed abolition of any posts to offset the costs. For the first time, they addressed an employees' rally in support of their demands right inside North Block, which houses the Finance and Home Ministries. When the employee organizations met the Group of Ministers consisting of Labour Minister Ram Vilas Paswan, Home Minister Indrajit Gupta and Finance Minister P Chidambaram, the former two gave hardly any opportunity for the latter to negotiate and indicated the government's willingness to accept the employees' demands in entirety.

In one stroke, the new pay revision burden on the Centre alone rose by Rs 10,000 crore over and above the recommended outgo. The fragile fiscal situation of the states worsened when they followed the Centre's example. The Finance Minister, announcing the government's acceptance of the employees'

FOTOS4INDIA

Unreasonable: employees' unions triggered the crisis last time round

demands on the eve of the festival season, urged them to go and spend the bounty. He also expressed the hope that when the states, the PSUs and the private sector inevitably revised their pay packets, there would be a surge in consumer buying that could stoke a dormant consumer market.

His "dream budget" in February 1997 had tried to raise revenue even while offering a variety of tax sops but his rosy expectations were turning sour due to a variety of factors. Besides the political turmoil, the states where action to spur the economic growth lies had not yet hooked on to the economic, power sector and fiscal reform agenda. They were also not doing their bit to raise their own revenue. Introduction of VAT that benefited the states in recent years was yet an unresolved issue. An overload of subsidies, particularly on account of free power supply, had made many states bankrupt.

The Pay Commission award came amidst a lot of negative factors, including declining investor and consumer confidence levels. In fact, Reserve Bank of India documents of later years showed that, instead of spending the pay awards, employees played safe in a period of turmoil and put their new income in fixed-term bank deposits.

The failure of the governments to seriously deal with such normal HR issues is not sufficient ground for not recommending pay scales for its employees comparable to the prevailing market situation

This alarming background has clouded all discussion on government pay scales and their parity with prevailing market trends. There is also a considerable gap in information about the so-called pay and perks enjoyed by government servants. It is pertinent to note that the pay of the highest paid civil servants — the Secretaries — had been frozen at Rs 3,000 for over 50 years. It was revised to Rs 8,000 in 1986 and rose to Rs 26,000 in 1997. With the addition of dearness allowance, the top-end gross income hovers around Rs 40,000 now. After deductions towards income tax, compulsory contributions like house rent, provident fund, insurance, the take-home is less than Rs 30,000, when one's family financial responsibilities are at a peak. As the pay scales tend to be low throughout one's career, the scope for personal savings is also very low. One hears of very unrealistic arguments that government officials, being public servants, should not compare themselves with executives in the private sector. Even when the economy (and market prices) was controlled, such arguments had no validity. While embracing market-oriented policies across the board, the government is attempting to buck the market forces when it comes to paying the nation's President, Prime Minister, MPs and officials — with disastrous consequences. By pegging the pay at the top of the civil service at Rs 80,000 (as reported by the media), the Commission is inadvertently pegging the pay of CEOs of PSUs, officials in leading scientific (CSIR, BARC, ISRO), academic (IIM, IIT), and regulatory institutions (TRAI, SEBI) and many others. It is not clear whether the argument is that the role, responsibility and impact of decisions of the heads of the Direct, Indirect taxes, Postal, Telecommunication authorities, economic Ministries, Chief Secretaries of states and several other key government functionaries is less than of CEOs of successful mid-cap companies in the private sector. Can the latter hire any decent CEO at less than Rs 20 lakh a year, not counting his several taxable and non-taxable fringe benefits? The proposed pay of Rs 80,000 per month for the seniormost officials places the before-tax income at less than Rs 10 lakh a year. The private sector pays this sum to raw recruits from second-rung business and engineering schools.

It is nobody's argument that there is no redundancy in the official machinery. Also, the pay and reward must be closely connected to performance. The failure of the governments to seriously deal with such normal HR issues is not sufficient ground for not recommending pay scales for its employees comparable to the prevailing market situation. This is especially because the present Indian economy is a greatly transformed one from 1997, and is suffering from a severe talent crunch. The government, PSUs, scientific and top academic institutions have vast experienced HR that is being lured away. If the pay scales are unrelated to the external world, it increases the vulnerability of the public servants as well — increasing the likelihood of corruption. An expert body like the Pay Commission is not expected to have ostrich-like qualities. g

The writer was formerly Information Adviser to the Prime Minister

'Defence scams are springboards to ele

interviewed by RASHME SEHGAL

Minister of State for Defence Production Rao Inderjit Singh was formerly Minister of State for Foreign Affairs and has been a successful lawyer, agriculturalist and sportsman. He spoke candidly to gfiles about a wide range of issues concerning governance of the Indian defence system.

gfiles: *Do you think the Indian Army needs to opt for conscription to meet the present shortage of officers?*

Rao Inderjit Singh: I do not want to comment on an individual opinion. We must not forget that we are running a professional Army wherein a soldier is employed for 15 years while an officer can put in as much as 30 years of service. If we were to open the doors, there is no shortage of people. The problem primarily is that we do not wish to lower our qualitative standards. Our Army has always led from the front. If we look at the number of officers and jawans who have died in the 1965, 1971, 1999 conflict or against terrorism, our officer casualty is among the highest in the world.

Today, unfortunately, everything has become money-driven. Time-honoured values of honour, dignity and tradition no longer count for much among youngsters. The only language they seem to understand is money and how much they have in their bank account. Joining the Army is not about owning a substantive bank account; it's about leading a certain kind of life, showing commitment to certain values which, I believe, form the foundation of our lives. There is no doubt that, historically, those who joined the Army generally came from families who possessed substantial land holdings. That income supplemented their salaries. Today, land holdings have shrunk and families can no longer depend on an additional income from the soil.

The Army is trying to redress this situation. The greatest shortage of officers is at present being faced by the Indian Air Force. Today, IAF officers are allowed to put in their papers after having served for 25 years. We are now working to create a situation where they can fly for the first two years of their career. This will satisfy their urge to fly — after all there is a great thrill attached to this job. They can then revert to doing other duties and will be allowed to retire after 15 years of service. This will help remove the feeling of "I'm stuck for life".

Another of our initiatives is to start

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PHOTOS: FOTOS4INDIA

more than one Sainik school in every state. This will ensure that more students join the Armed Forces. We have also stressed the need to substantially increase salaries to the Sixth Pay Commission. For the first time, the Forces have made representations directly before the Pay Commission, unlike earlier, when the bureaucracy spoke on behalf of the Services. The Armed Forces personnel alone know what kind of odds they have to struggle against. Look at our naval personnel who live in submarines for weeks on end. Conditions there are both claustrophic and cramped. In the same way, look at the difficult circumstances under which jawans have to survive in places like the Siachen Glacier. The situation has worsened over the years. Earlier, the Armed Forces were expected to deal with incursions but today they have to deal with insurgency both in the Northeast and in J&K.

gfiles: *Isn't that a source of worry for you? The fact that the Indian Army has been bleeding all these years.*

RIS: Of course it is a source of worry. But this is something that the political establishment needs to be concerned about. Every time the Army has stood to gain on some front, the political establishment has forced it to give it up. Despite the fact that the Army has been bleeding for the last 20 years, we continue to remain one of the greatest armies in the world. Look at the feedback we have received from all the recent exercises we have conducted with other armies and navies. Recently, there have been joint exercises with the navies of France and Russia. Our Navy is as good as theirs both in terms of manpower and equipment use. We have received the same feedback about our Army.

The problem with defence is that it is one ministry with which politicians are constantly playing politics. The Defence Ministry is used as a springboard to achieve power. Defence scams are used as springboards to elect people to power. The last government did that with the Bofors scam. In all this politics, defence preparedness suffers.

gfiles: *One of the biggest defence deals, the Eurocopter deal, was cancelled recently. What do you have to say about that?*

RIS: The cancellation has proved a huge setback for the Army. The Army is perforce going to continue using the Chetak and Cheetah helicopters which are 35 years old. These are based on Russian technology devised during World War II. This is not the only deal we have had to cancel. We have cancelled technological tie-ups with several other countries. Our defence purchase policy states very clearly that agents cannot be involved in defence deals. If they are, the CBI and CVC will get after us. And because these deals have been cancelled, huge funds remain unspent. When this happens, the Ministry of Finance gets after us. At one point, the Defence Minister was so upset that he asked them to negotiate deals on our behalf. Of course, they declined.

'Joining the Army is not about owning a substantive bank account; it's about leading a certain kind of life, showing commitment to certain values which form the foundation of our lives'

gfiles: *Aren't you being unrealistic in insisting that no agents be involved in defence deals?*

RIS: Experience tells us that it is impossible to sign a defence deal without involving an agent. There are so many nitty-gritty details involved. It was with

this aspect in mind that the Defence Procurement Procedures manual was amended in 2006. I believe we need to amend and update this manual again in 2008. The Prime Minister has also questioned our present policy of not involving middle men. In 2000-01, the Defence Ministry had asked for applications from middle men. The idea was to regularize this whole process. The Ministry received hundreds of applications but no decision was taken regarding their registration. There is a debate raging within the UPA about reviving this whole process. They cannot be banned. By implication, they need to be involved but soliciting is something over which we have a great deal of concern. Soliciting on behalf of a company is prohibited.

gfiles: *I understand that huge defence contracts are on the anvil.*

RIS: The multi-role combat aircraft (MRCA) deal is one such deal. By the time it goes through, it will cost us over Rs 44,000 crore. We expect the aircraft to start reaching us in the next 8-10 years. This deal also involves technology transfer and HAL will be building this aircraft. It will take 22 years for us to both buy and build these 124 planes. My experience tells me that by the time the last planes come in, they will be completely redundant. This is because technology changes every five years. Instead of buying 124 jets at one go, it would have been wiser to order 30 jets at a time and then opted to buy the newer versions.

gfiles: *Why wasn't it done that way?*

RIS: A defence deal is a very complex affair. Many factors play in these deals. Defence production and technology transfer plays a pivotal role. A certain amount of value addition is being done by HAL. They have to ensure the offset policy does not flounder. The Defence Offset Felicitation Agency is also actively involved in assessing these projects.

gfiles: *Are you happy with HAL's performance? Do you see greater private-public partnership in the future?*

RIS: We have identified 41 factories from the private sector. These will go under the title of Raksha Udyog Ratnas and will have an equity of around Rs 1000 crore. These companies will be involved with defence production and will assume the role of system integrators of large weapon systems and also produce various weapon platforms required by the Armed Forces. In India, unfortunately, technology has flown from the top downwards. Most other countries follow the reverse process. Across the world, the R&D prepare the prototype and then it is manufactured by two or three companies. Here, the opposite takes place. The technology is first prepared and then passed on to be manufactured. I believe it is not the government's responsibility to transfer technology. The world has opened up. We should now accept middle level technology from the best provider and allow DRDO to produce very specialized products.

gfiles: *There have been a lot of cost over-runs with the Gorshkov submarine.*

RIS: The Gorshkov submarine was first sold to us for $700 million. Now the amount has gone up three times to $1.2 billion. This is not acceptable to the Navy and they are negotiating.

gfiles: *In the West, a great deal of defence research is being done in universities.*

RIS: We are also moving in that direction. Having just one monolithic research agency means its keenness has been lost. We have begun working with the private sector. We have involved Jambeshwar University in Hissar for the Nano project. We are considering other universities but I would like to point out that no one wants to give up his turf.

gfiles: *What about the anti-missile system that is being worked upon?*

RIS: We are working to develop a strong anti-missile system which will neutralize enemy missiles. Missile technology acts as a strong deterrent. The Agni I range, for example, is 3000 km.

gfiles: *Are you concerned about developments in Pakistan?*

RIS: It is a matter of concern. Experience has taught us that whenever they have domestic problems, they try and divert the attention of their people by stepping up terrorist activity in India. We are living in a difficult neighbourhood, whether it be Bangladesh, Nepal, Sri Lanka or even China.

gfiles: *What about the stepping-up of incursions by the Chinese Army?*

RIS: The problem is that the British used the McMahon line to create a watershed between the two countries. Both nations interpret this line in a different way. Now that we have accepted the Tibet autonomous region, the Chinese maintain that all those places which had a religious allegiance to Tibet are part of China. Our stand on this issue is very clear. We are not going to kowtow before any pressure. The Chinese today cannot do with us what they did in 1962. We are working on building our infrastructure in these areas and should have much of our logistical support in place by 2012. g

'The Defence Ministry had asked for applications from middle men. The idea was to regularize this whole process. The Ministry received hundreds of applications but no decision was taken regarding registration'

SYSTEMIC PHOBIAS

The process is trapped in the Bofors-HDW-Kargil coffins straitjacket

HIGHER defence management is a complex national governance challenge in most democracies and the Indian experience has been very distinctive. At the outset it must be noted that the military as an institution has provided the core stability to the Indian democratic trajectory and this is in sharp contrast to the experience of many post-colonial states where the military has transgressed into domains outside its constitutional mandate. The supremacy of the elected representative and the primacy of the civilian government have been central to the professionalism and apolitical nature of the Indian military.

However, from the bitter humiliation of the 1962 Sino-Indian war to the more recent 1999 Kargil intrusion, it is evident that higher defence management in India is in need of a major review and certain structural changes are called for – but this, alas, has not happened. The most comprehensive study on the subject in the public domain is that of the Kargil Committee Report (headed by K Subrahmanyam) which was submitted to the NDA government, but it has not been implemented as envisaged. Consequently, many of the recommendations remain on hold and the structural deficiencies persist.

The Indian military inventory is in urgent need of significant infusion of new platforms and attendant new technologies. There has been block obsolescence in the past due to a stasis in decision-making compounded by severe fiscal constraints and this backlog is to be cleared in the shortest possible timeframe. Yet the Indian defence procurement process is caught in the metaphoric Bofors-HDW-Kargil coffins straitjacket and hence is among the most time-consuming among comparable democracies.

What has been the impact of this orientation as far as the management of higher defence and national military capability is concerned? The example of the Advanced Jet Trainer (AJT) is illustrative. First mooted in 1982, the AJT was projected as an urgent and inescapable training requirement to enable young fighter pilots to make the transition from the propeller-driven trainer aircraft to the fighter-jet. The IAF's need was never in doubt but it took 20 years before the AJT deal was finally approved – in September 2003. In the interim, many young pilots lost their lives and the quality of the IAF's pilot training and operational ability suffered grievously.

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Bofors: a ghost still fires

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Yet there is no sign that the procurement procedures have become more nimble or sensitive to operational requirements. The more recent controversy over the attack helicopters for the Indian Army and the purported cancellation of a certain French contract are cases in point. Post-Kargil, the government has revamped its procurement procedures and detailed guidelines have been issued to ensure transparency and rectitude. The buzzword is "offsets" though there still is a phobia about the so-called "middle man" or arms agent, which appears to be misplaced. Global military sales the world over are intrinsically opaque and complex techno-strategic and politico-fiscal considerations come into play. Certain rhythms and HR patterns are domain-specific and while Indian negotiators are respected for their astute contractual skills, the balance between the quality of the product, timely deliveries including life-cycle support, transfer of technology and price negotiations must be maintained. The more recent controversy over the Russian origin aircraft carrier, the Gorshkov, slated to join the Indian Navy is another case in point.

India is gradually becoming a major buyer of arms and advanced military technology and it is significant that, in the Asian context, China and India are the two major militaries that are increasing their respective profiles – both quantitatively and qualitatively. While China allocates about $40-60 bn – as much as two to three times the annual Indian defence expenditure, Delhi is not doing too badly. As per my estimates, over the next 30 years, current GDP growth rates being stable, the cumulative defence expenditure will be closer to $3 trillion equivalent at today's prices. Of this imposing total, it may be fair to infer that about $900 billion will be allocated towards procurement/acquisition and modernization of our military inventory.

This kind of fiscal muscle calls for very astute strategic planning between the various actors who comprise the Indian higher defence management mosaic. The inadequacies in the prevailing system that pertain to governance procedures must be objectively identified and redressed so that procedural rectitude is harmonized with the rigour of fiscal and operational audit and accountability. g

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The war WITHIN

Civil-political control over the armed forces turned into a bureaucratic stranglehold

THE decline in the governance of defence has become so stark that the armed forces, regarded as the last bastion of democracy, can no longer attract quality youth to join the fourth largest armed forces in the world. Operationally the most intensely committed, the Army alone is short of 11,000 officers. The unthinkable – conscription or national service – was mentioned as a solution by the Chief of Army Staff, Gen Deepak Kapoor, this month.

The civilian bureaucracy is mainly to blame for the degradation in the image and standing of the defence forces and dilution in respect, dignity and emoluments. A large share of the blame has to be borne by the political class. But senior military officers cannot escape responsibility. How did governance of the military come to such a pass?

The malaise can be traced to the time of Independence when defence policy was made by India Office and Whitehall in London. During the British Viceroyalty, in terms of protocol, the Commander-in-Chief was second only to the Viceroy. For the political leadership of independent India, a Defence Ministry was a novel experience as India was used to a Defence Department and a Defence Member of the Viceroy's Council. The armed forces were pejoratively referred to as toadies. They had not fought for India's freedom but had been on the other side.

Civil and military bureaucracy that inherited charge had no clue about international relations and national security management. After the end of World War II, the political leadership was too naïve to grasp threats and challenges to national security. Further, military officers who were rapidly promoted lacked knowledge, experience and competence. Generalist civilian bureaucrats became staff officers rather than professional advisers to politicians.

Added to this was Mahatma Gandhi's pacifism and non-violence enmeshed in Jawaharlal Nehru's idealism. Nehru seriously believed that India required a police force and not any military. The British-bred armed forces were always viewed suspiciously by the new political class and the fear of a takeover conditioned their psyche. Topping these infirmities in defence policy was George Tanham's famous charge that India does not have a tradition of strategic thought.

A major lapse after Independence was the decision of the Service Chiefs to function independently of the Ministry of Defence (MoD), a separation encouraged by the political establishment to ensure the military's apolitical nature. Thus they opted to stay outside the power and decision-making loop, a choice their successors have rued. This flawed structure of governance led to time and cost overruns and practically no institutionalized mechanism for enunciation and evolution of policy. Civilian bureaucrats call the shots. A desk officer in the MoD still clears the file authorizing travel abroad by a Service Chief.

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Like the Partition and division of assets, the defence makeover was precipitate. Army Chief Gen KS Thimayya's articulation about the impossibility of defending India against China on the high Himalaya, the letter by an undersecretary in the MoD to the Army Chief to evict the Chinese from Thagla Ridge, the failure to use the Air Force in 1962, the lack of Army-Air coordination in the 1965 war and so on are benchmarks in misgovernance of defence.

Over time, civil-political control over the armed forces turned into a civilian-bureaucratic stranglehold – not without encouragement from the political leadership. The first step in misgovernance was lowering the Warrant of Precedence of the military. The appointment of C-in-C was dropped and Service Chiefs designated as Chiefs of Staff. In 1947 an officer of the rank of Lieutenant General was ranked above an ICS Secretary to the Government of India which was then the highest post for any ICS officer, a Major General above Chief Secretary of a state, while a Brigadier was above an IG of Police and drew a pension higher than a Secretary's.

The civilian bureaucrat has ingeniously usurped the politician's prerogative and accorded himself the distorted *inter se* precedence *vis-a-vis* the armed forces. Similar anomalies have been allowed in service for promotion. Today a Brigadier (29 years' service) is equated in pay and precedence with a DIG (14 years' service in IPS), a Director (14 years' service in IAS), a scientist (17 years' service in DRDO) and a DIG, BSF (20 years' service). This ill-conceived and illogical

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South Block: bastion for babus

equation runs right across the spectrum of rank structure.

The Army has a pyramidical structure for promotions whereas the proliferation of DGs and additional DGs in police is comical. The pay structure benefits Central government officers. They draw an average of Rs 8,000 per month over their personnel in the armed forces. In two other vital areas – honour and respect – the soldier has been run down.

The degrading of the Army has been done consciously through a nexus between political leadership and civilian services. While both are responsible for ensuring the armed forces are sufficiently provided to carry out their mandated tasks for national security, neither is held accountable for any omissions. A decisive military triumph over Pakistan with 93,000 Prisoners of War in 1971 could not be converted into a political and diplomatic victory. On the other hand, in 1999, the Army Chief took the Army into the Kargil war "to fight with what we have" – referring to the deficiencies in strategic equipment.

Defence Minister George Fernandes had to send civilian bureaucrats to Siachen to understand the problems faced by the soldiers. But that will not prevent an IAS officer from the department of Animal Husbandry taking over as Defence Secretary. The Defence Secretary is *de facto* the fourth Service Chief — the Chief of Defence Staff.

Of the 79 recommendations made by the Group of Ministers after the Kargil war to streamline higher control of defence and governance in the MoD, 59 have allegedly been implemented. Yet, on the ground, the voids remain as key areas have been skipped. The unfavourable separation between service headquarters and the MoD has not been done away with and an integrated Defence Ministry exists only in name. The blame for not appointing a CDS has been shifted from government to the services.

The colonial policy of divide and rule is being exploited. Good governance in defence and national security requires specialists to act as an interface between political and military leadership. The present set-up does not foot the bill. g

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Albatross aboard the MoD deck

Registering agents without singling out defence purchases is a likely solution

THE recent cancellation of the Eurocopter deal due to the alleged presence of agents adds another chapter to India's long list of aborted procurement proposals. The government remains tied up in knots of its own making while the Armed Forces remain starved of newer and safer equipment. Cheetah and Chetak helicopters, the major workhorses of the Army Aviation Corps, are the lifeline to remote and inaccessible areas of the Himalaya. Both are vintage machines and need immediate replacement.

It is an accepted fact that agents are ubiquitous in all international trade transactions. All government departments have been regularly dealing through agents without any apparent problems. Their functioning has been duly regulated and the agents have been receiving their legitimate commissions. But it is the role of agents in defence deals that has attracted much media attention of late and the Indian intelligentsia resents their presence. The Ministry of Defence (MoD) recognizes that agents cannot be wished away but considers it politically inexpedient to accept their need or acknowledge their presence. The dilemma is acute as all earlier efforts to deal with the issue have proved futile.

The role of agents in import transactions was first taken up for study by the Public Accounts Committee in 1974-75. As a follow-up of its recommendations, directions were issued by the Department of Supply in July 1976. Subsequently, exhaustive policy guidelines, titled "Indian Agents of Foreign Suppliers – Policy on", were disseminated by the Ministry of Finance (Department of Expenditure) in January 1989. As these instructions were primarily applicable to civil imports, the MoD issued supplementary instructions in respect of defence purchases in April 1989. However, due to a spate of allegations regarding the role of agents, they were proscribed in early 2001 to take a fresh look at the entire issue. Advice was sought from a number of agencies including the Central Vigilance Commission (CVC). The CVC strongly recommended that defence agents be officially registered for transparency and probity.

The MoD accepted the CVC recommendations and issued a fresh policy directive in November 2001. It allowed employment of agents, albeit with provisions which many consider too stringent and intrusive to be realistic. Information required to be submitted by a foreign vendor spans the complete gamut of an agent's past business activities, current professional dealings and financial profile. Even details of his Indian and foreign bankers have to be intimated. Additionally, the agent has to be acceptable to the MoD and paid commission as per the official policy. Whereas the policy guidelines issued by the Finance Ministry in April 1989 aimed at conserving precious foreign exchange and preventing evasion of tax, the MoD instructions were totally directed towards scrutinizing past records of agents and regulating their conduct. The agents were resentful that the tone and tenor of instructions painted them as unscrupulous and scheming characters.

As was feared by many sceptics, not a single agent came forward for registration as they did not want to lose their shield of anonymity. They felt that the details sought transgressed professional privacy and infringed upon economic confidentiality. Agents were also apprehensive that the information could be used by different government agencies to harass them by opening old cases. They were also worried that public knowledge of their dealings would make them vulnerable to extortion demands, both from the political parties and the underworld. Most important, they feared that the prevailing trend of probing all defence deals negotiated by the previous regime would unnecessarily drag them into vengeful inquisitions and protracted court cases.

Without repealing the government orders on the registration of agents, the new defence procurement procedure has effectively reversed the policy and banned the use of agents. Every foreign seller is specifically forbidden to appoint agents and pay any commis-

Just because agents promote their principals' products to earn commissions does not make them unethical and ignoble. The MoD must change its attitude towards agents to draw maximum benefit

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Helicopters: needing fleet renewal

sion. He has to assure access to his account books in case the government suspects a breach of undertaking.

Interestingly, most government functionaries concede that agents render invaluable service by performing the following functions:

- They act as an interface between the MoD, the services and the vendors. They help resolve irksome issues that crop up during protracted contractual discussions and pave the way for negotiating a mutually acceptable contract.
- Since agents have permanency of interest, they ensure responsive after-sales support during performance and warranty periods, and even thereafter.
- During field trials over varying terrain and climatic conditions, agents provide assistance to foreign vendors to import, maintain, transport and position their equipment as per the trial schedule.
- Offsets have been made mandatory for all defence contracts over Rs 300 crore. A foreign vendor has to take the help of local agents who are conversant with available opportunities to identify suitable offset fields and local partners for the purpose.
- As the government has permitted Foreign Direct Investment in the defence sector up to 26 per cent, all prospective investors need local agents to advise them about industries with envisioned prospects.
- The services often seek inputs from agents as regards the latest equipment available in the world market and their indicative costs. It helps them formulate pragmatic qualitative parameters and make budgetary projections.

Prime Minister Manmohan Singh, while returning from Helsinki on October 14, 2006, stated in response to a question, "The assumption that one can do without agents, I think, needs some reappraisal." He further suggested, "If no alternative to middlemen was possible, it might be worth considering whether such agents could be either registered or a mechanism devised so that their functioning becomes apparent to the authorities." However, the dilemma for the government is complex. Understandably, it wants to tread warily in this highly politicized and sensitive matter. It knows that agents are integral to world trade and will continue to thrive under all circumstances. Outlawing them will not result in their elimination, but will force them to function in a covert and clandestine manner. Therefore, it is so much more prudent to accept their presence and regulate their functioning, thereby imparting much needed transparency to the whole process. It will also ensure that commissions are paid in Indian currency and duly subjected to taxation.

Defence agents are in business to make money. Just because they promote their principals' products to earn commissions does not make them unethical and ignoble. The MoD must change its attitude towards agents to draw maximum benefit from their presence, rather than shunning them and forcing them to go underground. To state that agents can corrupt officials shows a total lack of confidence in the integrity of government functionaries. It amounts to a tacit admission that all officials dealing with defence procurement are predisposed to corruption and hence must be kept away from temptations offered by agents. It is certainly not a fair portrayal of all procurement functionaries. Most are highly upright, conscientious and diligent officers. In any case, the government cannot forbid agents just because it is distrustful of its own functionaries. It is for the government to find functionaries whose integrity is beyond reproach and who can resist all enticements.

An ideal way out of the current quandary would be to register defence agents as per the procedure followed by other government departments. There is no need to single out defence procurements. The monitoring mechanism can be further strengthened and the functioning of agents regulated to enhance transparency and eliminate unscrupulous dealings. The government must adopt a long-term policy to convince the environment of its earnestness and instil confidence. There should be no knee-jerk reaction to every allegation that appears in the press. Frequent changes in policy act as the biggest deterrent for overt and legitimate functioning of defence agents. g

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The challenge lies in our minds

The nation's defence planning and strategy need top to bottom overhauling

INDIA'S emergence as an economic power of global significance and our essential reliance on the sea for energy, trade and projecting influence, is rapidly changing perceptions and arousing the dormant maritime consciousness of the Indian intelligentsia. While India possesses all the attributes and potential of a major power, an inherent cultural diffidence has so far held her back from assuming the mantle of regional maritime responsibility. The challenge thus clearly lies in our minds; and the naval leadership has consistently been trying to re-mould national perceptions. This endeavour is now manifesting itself as the Indian Ocean Naval Symposium (IONS), in which chiefs of 30 regional and other navies are expected to participate. Scheduled in mid-February 2008, IONS will provide a window of opportunity for the Navy's guests to witness the Def Expo taking place concurrently.

Conventional deterrence and war are indeed the bread and butter of navies, but these remain essentially linked to threats, which tend to wax and wane cyclically with diplomatic activity. Such has been our naiveté and myopia in matters of national security that periodically there emerges a view amongst decision makers that with "peace breaking out" all round, the possibility of conflict is diminishing and that defence spending needs to be cut. On many occasions, just as such a view was about to prevail in South and North Blocks, a crisis has arisen to bring us back to sanity.

Of all the Armed Forces, navies take the longest to build and consolidate; and a growing force like our Navy cannot afford to remain hostage to fluctuating security perceptions. The challenge for our Navy lay in reducing emphasis on threat perceptions as the sole arbiter in the force planning process, and bringing opinion (within and outside the Navy) around to focus on India's long-term permanent interests in this context.

In 2004 the Navy issued its Maritime Doctrine which defined India's core maritime interests as well as the roles and missions of maritime forces. With India's long-term maritime interests as the focal point, an exercise was then undertaken by the Navy to prepare a plan to prioritize the capabilities (as distinct from number of platforms) required to safeguard these interests in the context of predicted fund availability. This was followed in 2006 by a document titled "Freedom of the Seas: India's Maritime Strategy". The Navy has thus equipped itself with the intellectual underpinning for planning its future hardware acquisitions, as well as a concept of operations.

Facing up to obsolescence

We were fortunate that the seeds of a self-reliant blue water Navy were sown by our farsighted predecessors when they embarked on the brave venture of undertaking warship construction in India four decades ago. Since then, our shipyards have delivered more than 85 ships and submarines, many of Indian design, to the Navy.

While the hull and even the propulsion machinery of a warship is meant to last for two-three decades, what naval planners dread most is the onset of obsolescence of weapon systems as soon as the ship is launched. This is a very real challenge because a ship may take anything from six-eight years to construct (in Indian conditions), and since the imported weapons/sensors when nominated for fitment were already in service, they would be at least 10-15 years old by the time the ship becomes operational. Thus when the ship completes just half her life, the on-board systems are already over 25 years old and rapidly losing efficacy against contemporary threats.

The latest warship delivered to the Navy in 2005, *INS Beas*, was stated to be

PIB

Republic Day: parades are not enough

80-85 per cent indigenous in content and this is heartening. But we must face the stark reality that the remaining 15-20 per cent consists of weapons, sensors and combat management systems, which define the fighting potential of the ship. These systems not only constitute the most expensive component of a warship, but are also most susceptible to obsolescence and have so far remained beyond the capability of DRDO as well as the Defence PSUs to design or produce.

IN a desperate effort to beat obsolescence, the Staff Qualitative Requirements (SQRs) are often pitched at levels derided as "unrealistic", and then not frozen till as late as possible. This has been termed as the classic struggle between "good enough" and "best".

Dependent as we have been, to a very large extent, on various constituents of the former Soviet Union, our shipbuilding endeavours have remained hostage to their opaque, unresponsive and sluggish system of negotiations, contract and supply. This reliance introduces an element of uncertainty into the construction schedules and is the single most common cause for cascading time and cost overruns that we have faced in our recent warship building programmes. While this has often led the Ministry of Finance to heap scorn on NHQ and MoD for "poor programme management", they completely overlook the courageous leap of faith that the Navy has taken by shunning the easier import option and going down the thorny road of indigenous warship design and construction. The Navy could easily have taken the easier route followed by its sister services and remained captive to foreign vendors.

This problem has been engaging the Navy for a considerable period. A hard decision had to be taken that the SQRs should be made more realistic, so as to accept current systems, which are "good enough" to counter extant threats. As a corollary, as soon as a unit (ship, submarine or aircraft) enters service, it would be assigned a date for a mid-life update (MLU) a decade or more down the road. This would permit adequate time for the "best" contemporary systems to be developed and made available for the MLU.

The ultimate and only acceptable solution is, of course, to become self-reliant and that constitutes the next challenge.

The Navy could easily have taken the easier route followed by its sister services and remained captive to foreign vendors. It has chosen the thorny road of indigenous warship design

Procurement hurdles

One of the less obvious but crucial factors impinging on the force planning process (and consequent combat readiness) of our forces is the efficacy of the existing procurement procedures. The absence of a national security doctrine, as well as long-term funding commitment, are debilitating factors for coherent defence planning. But an intractable and ponderous procurement procedure can have a significant impact not just on current, but also future force accretion plans. Witness the void in fighter capability, which the IAF currently faces.

The Defence Procurement Procedure (DPP) has undergone a series of evolutionary changes since its inception in 2002, and the definitive document was released in mid-2006. While the DPP has organized and streamlined the processes involved and made them as transparent as possible, only time will tell if following these procedures adds to the acquisition time-cycle instead of reducing it. One of the possible pitfalls in this context could be the 30 per cent offset clause, which has been made mandatory for all contracts above Rs 300 crore. Identification of offsets by the bidders and comparison of competing offsets by the MoD could both be complex and time-consuming exercises.

A factor which creates serious impediments in the procurement process is the current procedure, which subjects each case to the scrutiny of four layers of bureaucracy: the Service HQs, the Department of Defence, the Department of Defence Finance and the Ministry of Finance. After this some cases need CCS approval. With many queries to be answered, and every file movement taking weeks, if not months, one financial year is simply not enough for most cases to be cleared. Financial authorities have unfettered freedom to examine and re-examine issues, but no corresponding accountability for delays in procurement, which have a cost in terms of national security, lives of troops in the field or monetary loss to the exchequer.

This system defies all logic and it should surprise no one that the MoD has to frequently surrender funds voted by Parliament for defence of the country. It has often been suggested that file movements need to be replaced by a culture of "collegiate functioning". Functionaries should process cases by discussion on the

IMPEDIMENTS TO SELF-RELIANCE

IF there is one lesson that the Indian armed forces should have learnt during the past few decades, it is about the hazards and pitfalls of depending on foreign sources for defence hardware (which invariably comes with embedded software now). The days of "friendship prices" are behind us and no matter what the source, we are paying top dollars for everything we buy in the ruthless international arms bazaar. The recent antics of the Russians in the context of contracts which have been laboriously negotiated, signed and sealed is a clear illustration of how we can be held hostage by an arms supplier. We must therefore remain acutely conscious of the fact that every time we contract a weapon system or platform of foreign origin, we compromise a little bit of our security because: we become dependent on a foreign power for yet one more combat system/platform for its complete life cycle; the equipment manufacturer will progressively keep hiking the price of spare parts and overhauls without any rationale; availability of product support (including spares) will keep declining, till it affects our combat readiness; unless adroitly negotiated in advance, the software source codes will be kept out of our reach to hamper in-house repairs.

Apart from all these we have now repeatedly been witness to the spectacle of overseas defence purchases being used as weapons of vendetta by powerful vested interests as well as politicians. It seems to be now child's play for anyone inimical to India's vital interests – an arms lobby, a foreign intelligence agency or even our own media – to put a spanner in the works by making allegations (real or concocted) about malfeasance in an arms contract, and bring the modernization of India's armed forces to a grinding halt. As a consequence, the acquisition process is being repeatedly stalled because the bureaucracy has been frightened into total inaction; perhaps with good reason.

Two remedial actions may possibly stem the rot setting in. First, the acquisition process needs to be made as transparent as possible within the bounds of security parameters, so that foreign firms do not feel the need to enlist self-appointed lobbyists. Second, a legitimate methodology for political parties to raise funds needs to be instituted so that arms contracts are no longer seen as lucrative sources of election funding. This will ensure that influence peddlers do not hoodwink foreign vendors to muddy the waters and endanger national security, while feathering their own nests.

Navy: focus on local production

PIB

The ultimate solution is, again, to encourage our indigenous R&D as well as industry and to become self-reliant as soon as they can. The Navy's recently established Directorate of Indigenisation has made a good start by focusing on the local production of systems and sub-systems of the Scorpene and the aircraft carrier projects and the response from the industry has been encouraging. But the path of self-reliance is neither easy nor free of pitfalls.

phone, walking into each other's offices and calling for regular meetings and discussions. The important observations and decisions can finally be endorsed on file for record.

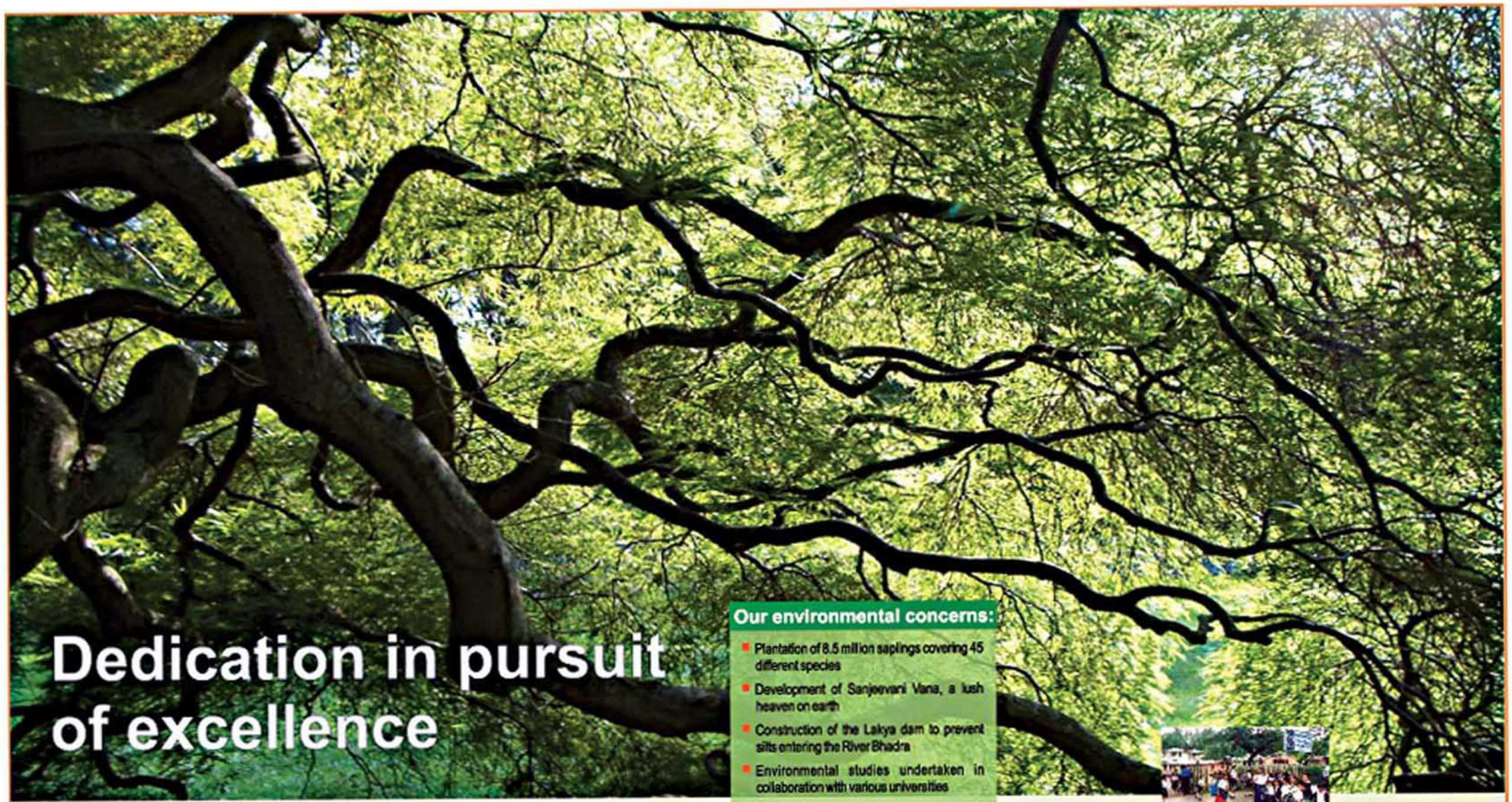
Working in compartments

Such a culture of collegiate function can come about only if the wall which has been created over the years to circumscribe the Service HQs and keep them outside the government is demolished. We need to clearly recognize the deep impact that the changing nature of warfare is inevitably having on the force planning process. At the lower end of the spectrum, we need to cater for asymmetric warfare, while simultaneously preparing for conventional conflict. The higher end of the spectrum requires us to plan for credible nuclear deterrence, many elements of which will sooner or later come within the ambit of routine force planning. It will become increasingly difficult to meet the demands of such planning under the system we currently have in place.

DRDO, when not engrossed in 'demonstration' projects, has often struggled for years at great expense to reinvent the wheel

The best and oldest democracies in the world have retained firm "civilian control" over their armed forces, by subsuming them within the central edifice, and integrating their functioning with that of the government. Today we must be unique amongst the major powers in having deliberately sequestered our armed forces and placed them under bureaucratic (instead of political) control. The key to efficient functioning of the nation's security establishment lies in integrating the Service HQs totally with the MoD and involving them in the national security decision-making process. To implement this long overdue but essential change would require vision, firm resolve, and above all, political will – none of them commonplace in our environment. g

Adm Prakash is a former Chief of Naval Staff



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AKAR

The POST-KARGIL SHAKEUP

Changes in higher defence management show sincerity but the pace is slow

IN recent times, India has undertaken a comprehensive review of its security interests and objectives as well as initiated major reforms in the higher defence organizations. The genesis of this effort is traceable to the aftermath of the Kargil war, when the government constituted a committee under the chairmanship of defence analyst K Subrahmanyam to look into the cause of the conflict as well as recommend effective steps for national security management. The Subrahmanyam Committee Report highlighted serious lacuna in the management of the higher defence sector in India and suggested far-reaching changes in organizational set-up.

Subsequently, the government constituted a Group of Ministers' committee in early 2000, which submitted its report in February 2001. Titled "Reforming the National Security System: Recommendations of the Group of Ministers", it is commonly referred to as the GoM Report. The GoM constituted four task forces to undertake a comprehensive view of national security matters. These included task forces on Intelligence Apparatus under the chairmanship of GC Saxena, on Internal Security under the chairmanship of NN Vohra, on Border Management under the chairmanship of Madhav Godbole, and on Management of Defence under the chairmanship of Arun Singh. The last task force deals with matters related to higher defence management.

In order to enhance the efficiency of India's higher defence management structures and processes, the GoM Report, among others, recommended several broad measures *(see box)*.

The emphasis of the GoM Report on various aspects of national security management deserve examination. The major recommendations have led the government to create and establish quite a few new institutions as well as refine or reorganize defence management structure to cater to both existing and emerging needs and priorities. An analysis of the impact of such reforms is itself a major exercise. Moves to integrate the Services Headquarters with the MoD, creation of the office of the Chief of Defence Staff (CDS) and its associate structures, establishment of Strategic Forces and Andaman and Nicobar Commands, Defence Intelligence Agency and a few other important institutions in a span of four or five years after the GoM Report was accepted suggest government sincerity in enhancing the national security system management. Although many of the implemented measures like the CDS have been criticized as half-measures by analysts, yet complex structural and organizational aspects of defence management take time to mature and deliver results.

While efforts to bring in reforms in structural-institutional aspects of higher defence management are laudable, a few points deserve consideration. First, despite creation of several joint institutions and emphasis on "jointness" in the armed forces, it is noted that the pace of desirable jointness has been slower than anticipated. This is evident in the mindset of both the civil and military bureaucracy on issues like CDS, creation of aerospace command and so on. Unless a common minimum understanding between these bureaucracies is ensured,

Reforms in specialized sectors like defence production and procurement must be pursued further. For example, while the defence procurement policy has been revised twice in two years, there are policy-related problems within it which need to be addressed

GOM Report Recommendations

- Integration of Service Headquarters into government, which may be designated as "Integrated Headquarters" of the MoD.
- Creation of the offices of the Chief of Defence Staff (CDS) and a Vice-Chief of Defence Staff (VCDS). The CDS is required to be established for the following reasons:
  a) to provide single-point military advice to the government,
  b) to administer the Strategic Forces,
  c) to enhance efficiency and effectiveness of the planning process, and
  d) to ensure the required "jointness" in the Armed Forces .
- Need to establish a Strategic Forces Command to manage all strategic forces.
- Creation of a Joint Andaman and Nicobar Command.
- Setting up of a Defence Intelligence Agency (DIA) for co-ordinating the functioning of different Service intelligence directorates in Service Headquarters.
- Enhancement of "Jointness" in the Armed Forces.
- Establishment of institutions like Defence Acquisition Council (DAC), Defence Procurement Board (DPB), Defence Production Board (DPB) and Defence R&D Board (DRDB).

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the political-level decision-making will hesitate to approve major joint institutions. Second, creation of institutions is fine, but one must ensure a desirable level of horizontal interaction among such institutions to bring in inter-disciplinary approach to decision-making and implementation. Third, reforms in specialized sectors like defence production and procurement must be pursued further. For example, while the defence procurement policy has been revised twice in two years, there are policy-related problems within it which need to be addressed. For example, the newly-introduced defence offsets policy, revised procurement procedure, and evaluation mechanisms need further refinement to make the policy and procedures more transparent and dynamic.

Fourth, emphasis must be laid on defence planning. As it constitutes one of the most important components of national security, it must be accorded highest priority. Although annual, five-year and long-term (15 years) integrated perspective plans exist, one is confronted with the "unspent" syndrome often. There is a need to evolve a mechanism whereby long-term defence plans must be institutionalized as a "constant" process, regardless of whichever government is in power.

And, last but not least, there is a need to incorporate existing and emerging stakeholders in the national security decision-making at appropriate levels. Unfortunately, crucial decisions on defence matters are decided within what is widely known as the "South Block" by stakeholders like the political class, civil and military bureaucracies and the defence scientific community. It must be realized that the role of existing stakeholders like the academia and the media and emerging stakeholders like the private sector industry are equally important. The latter must be accommodated in the process to expand the scope of defence management and also bring in a multi-disciplinary approach to defence matters. g

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DISJOINTED ENDEAVOURS

Nearly seven years after the decision, there is only lip service to the need for integration

WHEN the Service Headquarters renamed themselves last year, Army Headquarters became Integrated Headquarters (Army), Ministry of Defence. The other two Services were also renamed in what was a meaningless exercise in semantics as there is hardly any integration of the three Services, let alone of or with the Ministry of Defence. If mere change of nomenclature could work, India would have been a land of milk and honey. The most surprising part is that the Service Chiefs of that time accepted this bureaucratic ploy without a murmur of dissent being reported. Consequently, we continue to be one of the largest militaries of the world that remains disjointed.

The Indian military had realized the importance of being joint soon after Independence. This vision was translated into reality by the setting up of joint institutions like the National Defence Academy (NDA), the Defence Services Staff College (DSSC) and the National Defence College (NDC). These institutions, all joint, covered a wide canvas, from pre-commissioning training to the highest level of formal training an officer undergoes. Unfortunately, somewhere along the way, we lost our focus and drifted into separate entities, which over time became institutionalized.

The wars we fought since Independence added to this "lone ranger" syndrome. Our first war, in Jammu and Kashmir in 1947-48, was essentially an Army affair, with limited and sporadic combat support from the Air Force. The Navy was not involved. In 1962, when China attacked us, the Army again operated alone, as it was decided not to employ the Air Force. Once again, there was no role for the Navy. The next war, in 1965 against Pakistan, saw all the three Services fighting the enemy, but mostly independently, although the Army and Air Force did carry out coordination in specific operations.

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'Lone ranger': the army's often been alone

It was only in the 1971 war that the three services were employed synergistically and won the war decisively. Besides the above mentioned conflicts, the Army has also been involved, almost continuously, in fighting different types of insurgencies and terrorism in various parts of the country. The nature of these operations does not need the Navy and the role of the Air Force is marginal, as they do not want to decentralize air assets. Essentially, therefore it is again the Army operating on its own. This had its repercussions during the Kargil conflict in 1999, when initially the Air Force refused to participate, on the plea that it would escalate the conflict. When they did come in later, it took time to build up the necessary synergy. It is apparent that our experiences post-Independence lulled us into a state of complacency and we made little effort to forge joint concepts, structures and institutions, thus obtaining less than optimal results.

A major recommendation of the Kargil Review Committee, which was eventually accepted, was to set up joint structures. While an integrated defence headquarters and two joint commands were formed, a key recommendation i.e. the establishment of the post of Chief of Defence Staff (CDS) continues to remain unimplemented and the joint structures therefore remain headless. The antiquated Chiefs of Staff Committee has been entrusted to stand in. This organization, which has neither the teeth nor the inclination to take any strong and meaningful decisions, is unable to perform the role. Unfortunately, this state of affairs suits the principal actors, viz. the political leadership which continues to be bugged by the non-existent ghost of a military takeover, however preposterous it may sound after six decades of independence; the bureaucracy, who see the CDS as threatening their lording over of the Service headquarters; and even the Service Chiefs, who are highly reluctant to part with any power which will dilute their fiefdoms.

Nearly seven years after the decision, there is only lip service to the need for jointness and the appointing of a CDS. The result is that we flounder along, believing in our fatalistic fashion that everything will turn out right in the end and through some sleight of hand the Army will, for the umpteenth time, again pull the chestnuts out of the fire, as it always has when the chips are down! The moot point is, should policies of such great importance, relating to the security and indeed the very existence of our nation, continue to be sacrificed at the altar of expediency or sloth or indifference, or all three? g

Gen Oberoi was Vice Chief of Army Staff and former Founder Director of the Centre for Land Warfare Studies (CLAWS)

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Crying out for MODERNIZATION

Dedication and discipline apart, the three Services need upgradation to arrest the downward slide

The Armed Forces of India have undergone a phenomenal change in the past 60 years. Soon after Independence, the Razakars invaded Kashmir to annex it. Intervention by our armed forces pushed them back. But for the declaration of a unilateral ceasefire by Prime Minister Jawaharlal Nehru, the state could have been cleansed of Razakars and all of Kashmir would have been part of India. The armed forces acquitted themselves well so soon after Independence. However, they were still under a British Commander-in-Chief.

The era leading up to the 1962 Chinese invasion witnessed regress of the Armed Forces. The government took national security for granted, believing that our national frontiers could never be attacked, and played down the role of the Armed Forces. Government policies revolved around non-alignment, diplomacy, the principles of Panch Sheel, "Hindi Chini Bhai Bhai" and so on.

The Armed Forces were reduced to the status of just another security force which had to be retained but was employed in activities such as "Shram Daan" and, if and when required, for maintenance of law and order and aiding the civilian government. Modernization was nowhere on the horizon. This resulted in politically motivated officers rising to high positions and Service Headquarters being reduced to the status of subordinate officers of the Ministry of Defence. The debacle of 1962 shook the government and nation from slumber.

Post-1962, the Armed Forces underwent a major expansion and modernization programme. During the 1965 Indo-Pakistan conflict, the Armed Forces again acquitted themselves well under the dynamic leadership of Prime Minister Lal Bahadur Shastri. Professionalism was beginning to be seen. The 1971 Indo-Pakistan conflict under the political leadership of Indira Gandhi and military leadership of Gen SHFJ Manekshaw made history by creating Bangladesh. It was a campaign with no parallel in modern times. By this time the Armed Forces of independent India had come of age, become extremely professional and were on the path to adequate modernization.

The period after 1971 has not witnessed any major military engagement but for a politically misconceived and poorly executed military operation in 1984 in Punjab and a politically mishandled but militarily well executed campaign by the Indian Peace Keeping Force (IPKF) in Sri Lanka.

Since the early 1990s the Indian Armed Forces have been engaged in combating low intensity proxy war, insurgency and terrorism. Briefly in the state of Punjab, intermittently in the Northeast, and intensely in Jammu and Kashmir. In between, they have also been subjected to Operation Vijay in Kargil and Operation Parakram, consequent to the attack on the Indian Parliament by a group of terrorists. The Armed Forces have done extremely well in all these military operations.

They have also participated in international peacekeeping missions of the United Nations and their services have been recognized the world over.

Sixty years after Independence, our Armed Forces are recognized as a highly professional, dedicated, and disciplined force in the world. Recently, NDTV ranked the Unknown Soldier as Indian of the Year.

Yet, the armed forces are passing through very critical times.

The most significant criticality occured in the modernization programme. For a good 10-15 years, particularly during the tenure of Prime Minister PV Narasimha Rao, the modernization programme was put on the back-burner. As a result, serious operational deficiencies occurred which sub-

Our armed forces are in a precarious situation regarding deterrence capabilities. Resolving contagious issues by dialogue is always preferred, but meaningful negotiations can only take place among equals

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stantially reduced the cutting edge of the Armed Forces. The ratio of superiority against Pakistan has reduced considerably, diminishing deterrence capabilities. Perhaps this is one of the reasons which emboldened Pakistan to wage a low intensity proxy war and insurgency against India in Kashmir.

Deterrent capabilities, both conventional and nuclear, against China too have taken a nose dive despite the border problem with China remaining unresolved.

Both China and Pakistan have consistently been improving their strategic and military potential against India. The Chinese have carried out extensive infrastructure development along the border areas but there has been hardly any improvement on the Indian side.

These facets have once again placed the Indian Armed Forces in a somewhat precarious situation regarding deterrence capabilities. The nation and successive governments have to share the burden of the responsibility. Resolving contagious issues by dialogue and negotiation is always a more preferred option, but meaningful negotiations can only take place among equals. The Armed Forces have a definite role in planning and formulation of national security policies and should not be considered subordinate offices.

Airforce: reality check overdue

All three services are in dire need of modernization and infrastructure development in the border areas. Though limited budgetary allocations are made every year, very little is committed due to political and bureaucratic hassles. Funds are surrendered year after year with little enhancement in deterrence capabilities of the Armed Forces. The only way to ensure national security is to have credible deterrence.

Due to their nature of employment, the Armed Forces have today become the least favoured option for a young man. Hence, they suffer from huge deficiencies in the officer cadre which adversely impacts operational capabilities. The nation and the government have to look into this aspect. The compensation provided in relation to the demands of the services makes for an unpopular career choice.

The country's free and vibrant media has a major role to play in the state of the armed forces. While nobody holds a brief for not projecting negative aspects, it is equally the responsibility of a mature and responsible media to project the positive side. During the recent Army Day function, the Army put up an outstanding parade. The media not only ignored this but chose to highlight all the negative issues with which the Army is riddled today such as a dozen cases of corruption, scams and some cases of indiscipline. g

For a good 10-15 years, particularly during the tenure of Prime Minister PV Narasimha Rao, the modernization programme was put on the back-burner. As a result, serious operational deficiencies occurred

Gen Prasad retired as Director General, Infantry at Army Headquarters

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PLA and Indian soldiers: inviting comparisons

An iron fist only in name

Give the boys in uniform financial power

GOVERNING India's defence is never an easy task. A quick look at the governance of more than a million men and women in uniform indicates that there are any number of areas which can be improved upon. Before analysing these issues, three factors which constitute the core of Indian defence must be noted. First, unlike in a large number of developing countries, Indian defence has been apolitical since August 15, 1947. Even though people of my generation heard of some shifts in character in the late 1950s and again in the mid-1970s, it was never substantiated. It was largely an effort to malign the Indian defence forces by vested interests outside the country. In addition, the defence forces have never aspired for political power.

Similarly, our armed forces never relied on self-sufficiency and indigenization of equipment. The joke in the corridors of power was that whenever an Indian soldier sees new equipment he immediately wants it for his service. It was left to political heavyweights like Prime Minister PV Narasimha Rao and his Finance Minister, Manmohan Singh, to stop this *tamasha* in the mid-1990s. I am told even Indira Gandhi was irritated by this attitude of the Services. It was from her time that Indocentric assessments of threat perception and weapon acquisition began and were refined over the years. In retrospect, one can say the Indocentric view gained acceptability from the political leadership as well as the Armed Forces around the late 1960s.

Lastly, India's military operations in the Maldives in 1988 and in Sri Lanka in 1989-90 had shown a lack of coordination between the various intelligence organizations of the government and the defence forces. This became more evident during the Kargil war in 1999. Against this backdrop, if we look at the governance of the million plus men and women in uniform it becomes clear that intelligence, which has to play a major role in the work of these people, is not doing so. In the process, the decision-making apparatus is getting weakened.

Who should be blamed for, say, lack of snow boots for the soldiers in the mountains of Kashmir?

For some inexplicable reasons the civilian administrative apparatus has never paid much attention to this aspect of the three Services.

One of the most controversial issues in the governance of the defence forces is the civil-military relationship. One must recall what happened in the 1970s. At the time, the three Service Chiefs felt that they were ranked lower than the Defence Secretary. One of them is said to have remarked that the "baldy Defence Secretary is dictating terms to us while each one of us leads lakhs of men". They appealed to the Prime Minister that they be ranked above all the civil servants, including the Cabinet Secretary! Mrs Gandhi decided that they would be ranked above Defence Secretary but below Cabinet Secretary. This is because the Cabinet Secretary is the head of the entire bureaucratic machinery. One hears, almost on a daily basis, a Brigadier or a Major General complaining that he never gets a fair audience from, say, a Joint Secretary in the Ministry.

A young officer who had interacted with a visiting Pakistani military delegation agitatedly told me that officers in Pakistan had four-bedroom houses whereas he could not expect even a single-bedroom house. I had to tell him that he should compare himself with officers of the People's Liberation Army of China and see how well off he was. In the process, a whole set of issues came up like the career profile of a soldier and living conditions for him and his family.

Many of these misconceptions in the Armed Forces can be corrected if they are given financial power. This is not happening for a variety of reasons – including the unwillingness of those supposed to take decisions. Who should be blamed for, say, lack of snow boots for the soldiers in the mountains of Kashmir – the Commanding Officer or the concerned Joint Secretary? Our Armed Forces are the only ones in the world unable to spend the budget allotted every year. The three Services surrender money to the Finance Minister at regular intervals. Here lies the crunch. This explains all the issues of governance of those in uniform. g

The writer is a defence and intelligence analyst

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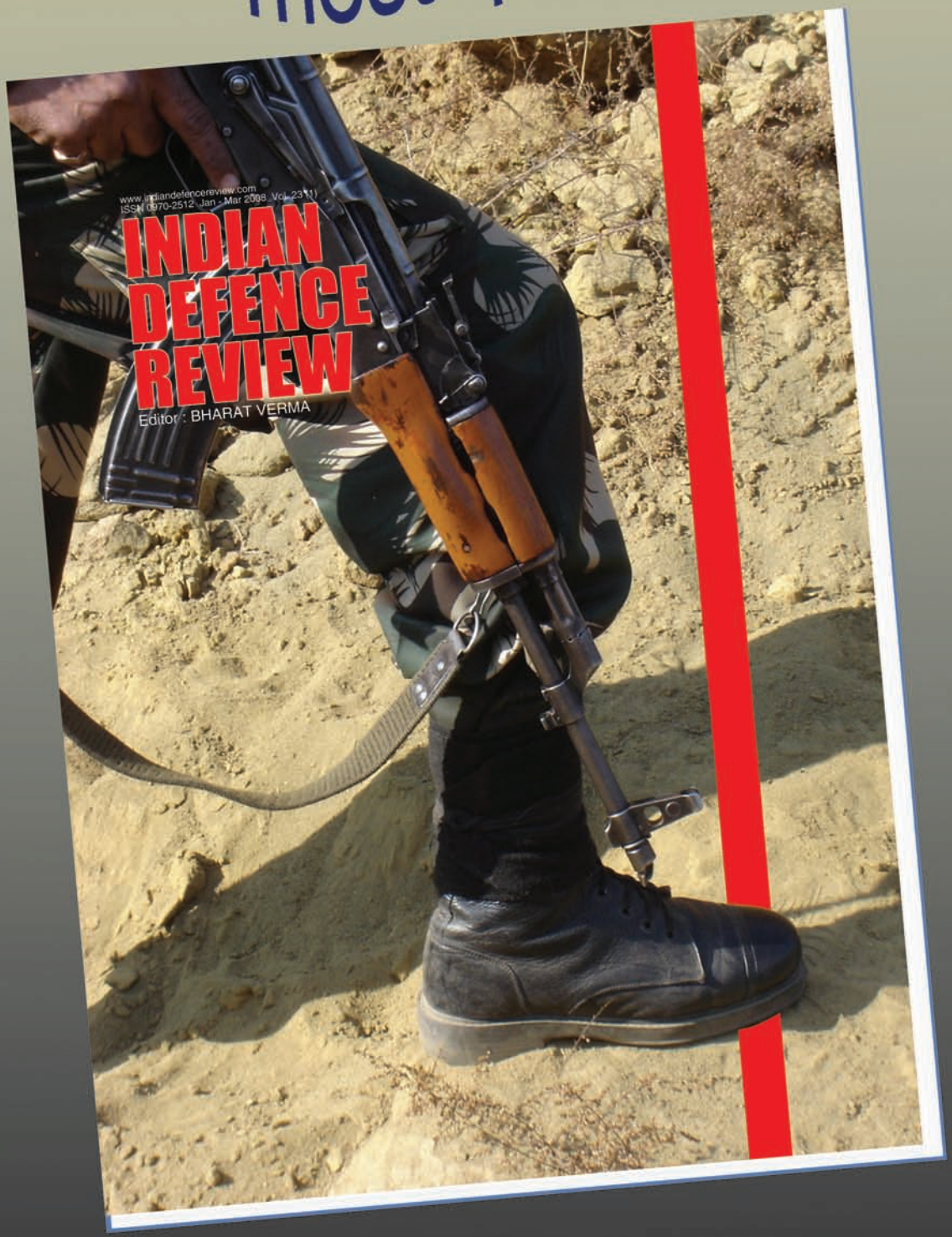

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For the complete list, see www.indianbuzz.com

TRACKING

For a complete list of appointments & retirements, see www.indianbuzz.com

VINOD RAI
The 1972-batch IAS officer of the Kerala cadre has taken over as Comptroller and Auditor-General of India.

ARUN RAMANATHAN
The 1973-batch IAS officer of the Tamil Nadu cadre is the new Secretary, Banking.

RITA SHARMA
The 1973-batch IAS officer of the Uttar Pradesh cadre has been appointed Secretary, Ministry of Rural Development.

B PRASADA RAO
The 1979-batch IPS officer of the Andhra Pradesh cadre has become Police Commissioner of Hyderabad.

SHIV SHANKAR MUKHERJEE
The 1971-batch IFS officer has been appointed High Commissioner to the United Kingdom.

RAJEEV MALHOTRA
The 1987-batch IES officer is now Additional Economic Adviser in the Department of Economic Affairs.

PULOK CHATERJI
The 1974-batch IAS officer of the Uttar Pradesh cadre has been appointed Secretary in the Prime Minister's Office.

ANAND KEDIA
The 1992-batch IRS officer has joined the Ministry of Finance as Director, Tax Policy and Legislation.

RAHUL SARIN
The 1974-batch IAS officer of the Jharkhand cadre has been appointed Special Secretary, Department of Personnel and Training, Ministry of Personnel.

TEMJEN TOY
The 1989-batch IAS officer of the Nagaland cadre has been appointed Chairman of the Development Authority, Nagaland.

VIVEK KUMAR SAXENA
The 1991-batch IFS officer of the Haryana cadre is the new Director, Administration in the Ministry of Environment & Forests.

IQBAL AHMAD
The 1974-batch IAS officer of the Madhya Pradesh cadre is the new Information Commissioner of the state.

PRADEEP KUMAR
The 1972-batch IAS officer of the Haryana cadre has been appointed Secretary, Department of Defence Production, Ministry of Defence.

SIDDHARTHA BEHURA
The 1973-batch IAS officer of the Uttar Pradesh cadre has become Secretary, Department of Telecommunications.

SUBASH PANI
The 1972-batch IAS officer of the Orissa cadre has been appointed Secretary, Planning Commission.

PRAMOD RASTOGI
The 1974-batch IAS officer of the Andhra Pradesh cadre has been appointed Special Secretary, Ministry of Defence.

N SATHIYAVATHI
The 1982-batch IAS officer of the Union Territory cadre has taken over as Member-Secretary of the Central Silk Board.

RAGHU SIROHI
The 1974-batch IAS officer of the Madhya Pradesh cadre has been appointed Special Secretary and Financial Adviser, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry.

SANJAY DESHMUKH
The 1998-batch IAS officer of the Maharashtra cadre has become Collector of Yewatmal district.

BHIM SEN
The 1981-batch IAS officer of the Himachal Pradesh cadre has been appointed Principal Secretary to the Chief Minister.

SANDEEP SAXENA
The 1989-batch IAS officer of the Tamil Nadu cadre has taken over as Secretary to the Tamil Nadu Governor.

ASHOK CHOUDHRY
The 1972-batch IAS officer of the Bihar cadre has been appointed Chairman of the Bihar Public Service Commission.

RAGHU MENON
The1974-batch IAS officer of the Nagaland cadre has been appointed Special Secretary and Financial Adviser, Ministry of Civil Aviation.

RAMSEVAK BANDYOPADHYAY
The 1974-batch IAS officer of the West Bengal cadre is now Special Secretary, Department of Telecommunications.

MOHAN KHANNA
The 1974-batch IAS officer of the Rajasthan cadre has become Principal Adviser, Planning Commission.

SIDDARTHA MAHAVIR ACHARYA
The 1974-batch IAS officer of the Karnataka cadre is now Special Secretary, Ministry of Urban Development.

Moving On: ias and ips officers retiring in February 2008

ANDHRA PRADESH
J Harinarayan (1970)

CHHATTISGARH
Vijai Kumar Kapoor (1972)
Wilfred Lakara (1973)

HARYANA
Promila Issar (1972)
Hem Chander Disodia (1975)

HIMACHAL PRADESH
Surender K Sood (1971)

KERALA
KM Chandrasekhar (1970)
Lizzie Jacob (1971)
S Sathil Amma (1997)

MAHARASHTRA
Ramanand Tiwari (1972)
AK Lakhina (1974)

MANIPUR-TRIPURA
Ch Birendra Singh (1984)
Debatosh Dutta (1995)

ORISSA
Gopinath Mohanty (1989)

ips

ANDHRA PRADESH
Jaspal Singh (1970)

AGMUT
KK Paul (1970)

BIHAR
RL Kannojia (1977)
Ganesh Prasad Yadav (1984)

ORISSA
Suchit Das (1971)
BB Mishra (1984)

GUJARAT
J Mahapatra (1974)

UTTAR PRADESH
Sumitro Shanker Banerjee (1972)

WEST BENGAL
Rajat Kumar Majumdar (1971)
Sarvesh Chandra (1972)

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Government, regulator need to do more

THE recent happenings in the stock market make this a good time to rethink the basic tenets of investing and to ponder the lessons of the latest developments. There are certain issues regarding the governance of the Indian stock market and the underlying investment scenario. Here, the dual perspective (of governance as well as investors' profile) is imperative in the larger interest of the investing community, especially the small and retail investors who are always at the receiving end.

The first such issue relates to the way our government reacts when the market crashes like this. We have innumerable examples from the developed world, when various governments have announced immediate measures, such as rate cuts, infusing liquidity and so on to bolster the market's confidence and to maintain a healthy investment scenario. In our case, the measures are usually limited to making generic statements about the economy.

In the developed world, governments announce measures such as rate cuts, infusing liquidity and so on.... In our case, measures are limited to generic statements about the economy

Another issue relates to the role of the regulator who, without creating a congenial atmosphere, permits use of deadly speculative weapons by a novice small investor. I am hinting at the gross misuse of F&Os by retail investors. F&Os is essentially a device to be used by organized players as a hedging mechanism. Retail investors have overused it for pure speculative purposes with the simple logic of playing beyond what the depth of their pockets permits. This is because the F&Os segment permits taking position three-to-five times more in a stock or an index than what can otherwise be done in the cash segment.

As the RBI and SEBI are fighting with the excessive flow of liquidity in the markets in the name of regulating these flows by putting curbs on PNs, a sort of contradiction has been created in the market. Doesn't all this make it imperative for the regulator to rethink on permitting small investors to play in the F&Os segment?

Another interesting development deserving national debate is the judgment of the Supreme Court regarding the recently concluded IPO of Reliance Power Limited. The sweeping judgment may have very dangerous implications in future as even right-thinking individuals/legal experts/NGOs may not be able to highlight the weaknesses/flaws concerning such issues. From the view of sound investment principles, the company has been *prima facie* engaged in certain questionable practices, which have been grossly overlooked. The regulator's role in the entire exercise, clearing the issue despite a number of complaints pending with it, has also raised a big question mark.

Also, the practice of manipulating and publicizing grey market premium on forthcoming IPOs is a major issue that needs to be urgently addressed. An average investor hardly has any access to the detailed document such as DRHP filed by the company with the regulator. He has no option but to assess an IPO by the prevailing grey market premium – which is often, if not always, manipulated by certain operators. No justification whatsoever could be offered for such an astronomical premium assigned to the Reliance Power IPO that sucked huge liquidity from the markets. If the same fails to quote at such a price, the retail investors will be further betrayed and investors' confidence in the market will get severe blows. This may have a cascading effect on the entire process of capital formation in the country, thereby affecting our proudly claimed growth rates of 9 to 10 per cent. The recent regulations relating to the mandatory rating of IPOs by SEBI also need to be debated in this context. g

KPR Mill (CMP Rs 125)

INCORPORATED in 2003, the Coimbatore-based KPR Mill is a vertically integrated manufacturer producing readymade knitted apparel, knitted fabric, and carded and combed yarn. The company exports most of its readymade knitted apparel directly to international clients, including Carrefour, Penney's, C&A, Ethel Austin, Kiabi, Bandos AG, Mother Care, etc. and has more than 1,000 regular domestic clients for yarn and fabric.

KPR Spinning Mill Ltd.,

The company has just completed a Rs 472-crore expansion plan which includes a 4 lakh sq ft /1440-seat garment-making unit (for one lakh pieces a day) and an ultra-modern yarn-spinning complex on a 44-acre plot. With this, the yarn capacity has gone up to 150 tonnes and annual garment turnout to 38 million pieces. The number of windmills will also go up substantially.

Due to this, KPR's per unit power cost is hardly 53 paise as against Rs 3.50 a unit. Labour cost is also low, at around 2.75 per cent of sales, as against the industry average of about 8 per cent.

The company achieved a turnover of Rs 139 crore in the September quarter. The operating profits were at Rs 40 crore and net profits were at Rs 20.62 crore. This translates into an OPM of 29 per cent and NPM of 15 per cent. The EPS is Rs 5.47 per share or an annualized EPS of Rs 22 per share on an expanded equity of Rs 37.68 crore post-IPO.

At the current market price of Rs 125, which is substantially less than the IPO price of Rs 225, the PE is less than six. The company is well prepared to notch up maximum gains from any relief announced in the forthcoming Union Budget for the textile sector. Investment at this price with a time-frame of one to two years can give decent returns.

The author has limited exposure to the stocks recommended with a long-term perspective. gfiles does not accept responsibility for investment decisions by readers of this column. Investment-related queries may be sent to gfilesindia@gmail.com with Dr Sood's name in the subject line.

Lalli's latest shenanigan

THE Chief Executive Officer of Prasar Bharati, BS Lalli, is on the rampage again. He has built a reputation for highhandedness and lack of competence but shows little inclination to turn over a new leaf. At the Prasar Bharati board meeting on January 11, Lalli came with a list of demands that were far from professional. He sought induction of some IAS officers who are his friends — a demand that was vociferously turned down by the

board. Its members pointed out that Prasar Bharati was started to ensure professionalism in the state-run radio and TV. The Standing Committee on Information Technology of Parliament had recently decided to restore professionalism and Minister PR Dasmunsi had told the media that only professionals would head AIR and Doordarshan.

Sources say Lalli was warned by the board that his powers would be clipped if he did not perform and carry the professionals with him. He was told to give the Director General of Doordarshan a free hand to shore up quality as it was losing its market share.

And what did Lalli do after this dressing down? He advised the Minister to remove board chairman MV Kamath as he was an appointee of the previous NDA government!

Jetair policy: use and throw

THE management mantra of Naresh Goyal, Chairman of India's largest private airlines, Jet Airways, is "use and dispose" when it comes to the babus of the Ministry of Civil Aviation, Airport Authority of India, Directorate General of Civil Aviation, and the Civil Aviation Minister himself. Those who become used to Goyal's expansive hospitality (encompassing every possible domestic and personal need) see him unmasked once they quit office. He refuses to even take their calls and, taking a cue from this, the entire staff of his airlines considers them outcastes.

A couple of former Civil Aviation Ministers who became victims of his real persona have vowed not to

travel by Jet Airways. The humiliated babus and politicians are looking for opportunities to rejoin the Ministry and give him a taste of his own medicine.

Goyal has weathered several charges and controversies — some as grave as alleged links with the underworld responsible for the Mumbai blasts. Though nothing could be proved against Jet Airways, it is still dogged by the allegations as most people believe there is no smoke without fire.

Should any of those disgruntled by Goyal's behaviour rejoin the Ministry, will this smoke be fanned into a raging fire?

Skulduggery as black as coal

THE Chairman-cum-Managing Director of Northern Coalfields Ltd (headquartered at Singrauli in Madhya Pradesh), VK Singh, is achieving notoriety for sabotaging the mission of Coal India and for his connections with the local transport mafia don, Ratan Singh. The CMD is apparently undeterred by the fact that the Prime Minister himself looks after the Ministry of Coal.

Unprecedented corruption, dissatisfaction among officers and workers, favouritism and a plethora of unprofessional decisions have plagued the organization since Singh joined it. Some of his actions defy logic. The mining machines available with NCL cost hundreds of crores of rupees, and a single machine is operated by hundreds of workers at a given time. While the mining department operates them, the excavation department looks after maintenance. Whenever a spare part costing a few hundred rupees is needed, official sanction for the expenditure takes over a month to come. In order to prevent work being stalled because of it, the practice is to ask the empanelled contractor to replace the item and pay him after the money is sanctioned. Singh collected evidence of hundreds of such cases and began issuing showcause notices to about 250 officers of the excavation department rather than appreciating their commonsensical solution to the problem.

After 15 officers received notices, the officers' association swung into action and

ILLUSTRATIONS: ARUNA

staged demonstrations against Singh. They point out that, if a machine remains idle for want of spare parts, the cost to NCL is in crores of rupees. Singh wanted to force the officers to oblige him and turn a blind eye to his connections with the mafia don, with whom he is allegedly making huge investments in a cement factory at Singrauli. g

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